

## Message Text

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47-40

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 EB-11 OMB-01 TRSY-11 IGA-02

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07

PA-04 RSC-01 PRS-01 SP-03 SS-20 USIA-15 AGR-20 SNM-02

FAA-00 DOTE-00 COME-00 DRC-01 /163 W  
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P R 241705Z APR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 2909

INFO USCINCSO QUARRY HGTS CZ

C O N F I D E N T I A L LA PAZ 2581

E.O. 11652: GDS

TAGS: PFOR MASS OVIP EAID BL

SUBJ: CONVERSATION WITH BOLIVIAN PRESIDENT BANZER: ECONOMIC  
AND MILITARY ASSISTANCE AND THE STATE VISIT

1. PRESIDENT BANZER MADE THE FOLLOWING POINTS DURING COURTESY CALL  
ON APRIL 23 BY COUNTRY DIRECTOR KARKASHIAN AND AMBASSADOR:

A. THE GOB AND HE, PERSONALLY, ARE DEEPLY GRATEFUL TO THE  
USG FOR CONTINUING U.S. ECONOMIC ASSISTANCE, WITH SPECIAL REGARD  
FOR THOSE LOANS MADE FOR EMERGENCY ACTIVITIES SHORTLY AFTER  
HE ASSUMED POWER. THE GOVERNMENT WOULD VERY MUCH LIKE TO HAVE THE  
U.S. CONSIDER AN ADDITIONAL PADES LOAN SINCE IT HAS PROVEN TO BE  
AN EFFECTIVE DEVELOPMENT TOOL AND A POSITIVE FACTOR FOR STABILITY  
IN THE COUNTRY.

B. THE GOVERNMENT IS SERIOUSLY CONSIDERING OUR RECENT OFFER OF  
\$4 MILLION FMS CREDIT AND WILL COMMUNICATE ITS RESPONSE PROMPTLY.  
THE GOB MAY WISH TO USE THE LINE OF CREDIT FOR TRANSPORT AIRCRAFT,  
HEAVY CONSTRUCTION MACHINERY, AND OTHER HARDWARE WHICH MIGHT HAVE A  
PRODUCTIVE PURPOSE.

C. THE GOVERNMENT IS PLEASED TO LEARN THAT A TEAM COMPOSED OF  
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IDB, IBRD, AND AID TECHNICANS WILL SOON ARRIVE IN BOLIVIA TO ASSESS

FLOOD DAMAGE. BASED ON THAT ASSESSMENT, THE PRESIDENT SAID, HE HOPED THAT PROJECTS MIGHT BE DEVELOPED TO PREVENT FUTURE FLOODING AND TO RELOCATE AND HOUSE REFUGEES

D. THE PRESIDENT WAS PLEASED TO LEARN THAT USG TECHNICIANS WILL ARRIVE SOON TO STUDY THE POSSIBILITIES OF SUBSTITUTION OF ALTERNATIVE CROPS FOR COCA. HE SUGGESTED EXAMINATION OF POSSIBLE COURSES OF ACTION

SUCH AS PURCHASE OF COCA LEAF PRODUCTION AND ITS DESTRUCTION, OR INCENTIVE PAYMENTS DIRECTLY TO FARMERS TO PRODUCE OTHER COMMODITIES.

E. PRESIDENT EXPRESSED HIS CONTINUED INTEREST IN PROMPT DELIVERY OF MILITARY EQUIPMENT FOR THE TIPOS IN ACCORDANCE WITH UNDERSTANDINGS REACHED WITH US. THE AMBASSADOR DESCRIBED THE CURRENT DELIVERY FORECASTS AND REPORTED ON THE ARRIVAL OF SIGNIFICANT MILITARY ITEMS IN RECENT WEEKS AND WITHIN THE COMING MONTH. PRESIDENT SEEMED PLEASED BUT REPEATED HIS FIRM DESIRE THAT THE TIPOS BE BROUGHT UP TO STRENGTH AS QUICKLY AS POSSIBLE TO RAISE THE MORALE OF THE TROOPS AND TO CREATE A DISSUASIVE FORCE TO INHIBIT THE OUTBREAK OF INTERNAL DISORDER.

2. COUNTRY DIRECTOR KARKASHIAN EXPLAINED THE OPERATIONS OF AN FMS CREDIT, NOTED THE INCREASING DIFFICULTIES OF ACQUIRING MAP GRANT AID AND POINTED OUT THE DESIRABILITY OF BOLIVIA'S UTILIZATION OF FMS CREDIT.

KARKASHIAN EXPRESSED THE APPRECIATION OF WASHINGTON AUTHORITIES FOR BOLIVIA'S CONTINUED EFFECTIVE COOPERATION IN COMBATTING DRUG TRAFFICKING. WHILE STATING THE U.S. POLICY OF CONTINUED SUPPORT AND ASSISTANCE FOR THE BOLIVIAN GOVERNMENT, HE CAREFULLY AVOIDED SPECIFIC COMMITMENTS FOR LOANS FOR CROP SUBSTITUTION, NEW PADES OPEATIONS, AND FOR RECONSTRUCTION.

3. IN THE DISCUSSION OF FMS CREDIT, PRESIDENT BANZER SAID THAT IT WAS HIS HOPE THAT COFADENA WOULD BECOME AN EFFECTIVE INSTRUMENT FOR ECONOMIC AND SOCIAL DEVELOPMENT. HE SAID IT SHOULD CONCENTRATE ITS ACTIVITIES RATHER THAN CONTINUING AS AT PRESENT TO AGGRESSIVELY ENTER A WIDE RANGE OF ACTIVITIES. HE EXPRESSED HIS HOPE THAT EXTERNAL CREDITS MIGHT FACILITATE CONFADENA ACQUISITION OF PRODUCTIVE

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EQUIPMENT AND THAT ITS FUTURE PROFITS COULD THEN BE TURNED TO BENEFIT THE LOT OF THE COMMON SOLDIER WITH BETTER HOUSING AND MEDICAL CARE. IN THIS WAY HE HOPES TO REDUCE THE DEMANDS ON THE TREASURY FOR MILITARY EXPENDITURES AND BURDENING THE NATION WITH CREDITS FOR NON-PRODUCTIVE MILITARY EQUIPMENT.

4. PRESIDENT BANZER TOLD KARKASHIAN THAT HE REGRETTED HAVING TO POST-  
PONE  
THE STATE VISIT TO THE U.S. SCHEDULED FOR LAST FALL, BUT DOMESTIC  
POLITICAL  
FACTORS ARISING FROM ECONOMIC MEASURES PRECLUDED HIS DEPARTING THE  
COUNTRY. THE PRESIDENT SAID HE HOPED THAT HE BE ABLE TO MAKE THE TRIP  
SOMETIME IN THE FUTURE AT PRESIDENT NIXON'S AND HIS MUTUAL  
CONVENIENCE. KARKASHIAN RESPONDED THAT THIS WAS ALSO THE DESIRE OF  
THE  
USG AS SET FORTH IN PRESIDENT NIXON'S LETTER TO PRESIDENT BANZER.  
STEDMAN

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